collocation in the following central offices in Texas due to space limitations: DLLSTXRO, SNANTXMC, ABLNTXOR, AMRLTX02.

Responsible Person: John Zeltmann
Manager-Interconnection and Resale
Southwestern Bell Telephone Company
One Bell Center, Room 8-N-14
St. Louis, MO 63101

Docket No. 16251
General Counsel
First Request
Information Request No. 8-LL
04/24/97

8-LL.

Please state the number and location of SWBT switches in Texas that are connected to the local loops served by LSPs.

Answer: As of April 3, 1997, SWBT had received no actual orders for unbundled loops.

However, SWBT has received trial orders for eight lines. These are addressed further in the response to RFI No. 26-NVS.

Responsible Person: William Deere
Regional Manager-Planning and Engineering
Southwestern Bell Telephone Company
One Bell Plaza, Room 2312
Dallas, TX 75202

Docket No. 16251
General Counsel
First Request
Information Request No. 26-NVSa)
04/24/97

26-NVSa).

With reference to the following business unbundled loops, state the number of requests SWBT has received from LSPs seeking business unbundled loops and state the number of each such loop sold or leased to LSPs by SWBT. Provide a list of the LSPs to whom the sale or lease was made. For each LSP, state the total number of the following business unbundled loops sold or leased. State all information on a statewide and per-exchange basis:

a) 2-wire analog business unbundled loops;

Answer: Orders for eight (8) 2-wire analog unbundled loops, 4 of which were originally classified as business lines, and 4 new installations, all of which are in the 817-332 exchange have been received as trial orders as previously addressed in question 8-LL.

TAB F

ATTACHMENT

LETTER FROM METRO ACCESS NETWORKS TO DONALD J. RUSSELL MARCH 5, 1997

ORIGINAL

SWIDLER
&
BERLIN
CHARTERED

MARK SIEVERS
OF COUNSEL

DIRECT DIAL
(202) 424-7872

March 5, 1997

VIA COURIER

Mr. Donald J. Russell
Chief, Telecommunications Task Force
Antitrust Division
U.S. Department of Justice
Room 8104 Judiciary Center Building
555 Fourth Street, N.W.
Washington, D.C. 20001

Re: Competitive Impact of Bell Operating Companies' Entry Into In region InterLATA Markets

Dear Mr. Russell:

Metro Access Networks, Inc. (MAN), by its undersigned counsel, hereby submits this letter in response to the Department's November 21, 1996 request for comments from interested parties on the competitive impact of entry by Bell Operating Companies (BOCs) into the long distance market. While the date that the Department requested comments has long since past, MAN believes that its recent attempts to negotiate a complete interconnection agreement are relevant to the Department's advisory role in analyzing BOC petitions for interLATA authority, and the Department's ongoing interest in "real world" evidence of the BOCs' ability to leverage their control over essential facilities and the ability of regulators to control such anticompetitive abuses. Specifically, MAN brings to the attention of the Department its experience with Southwestern Bell Telephone Company

3000 K STREET, N.W. ■ SUITE 300
WASHINGTON, D.C. 20007-5116
(202) 424-7500 ■ FACSIMILE (202) 424-7643

(Southwestern Bell) with respect to the price of physical collocation accommodations, an obvious essential facility controlled by Southwestern Bell.[1/]

MAN is a competitive local exchange carrier that operates in Texas. It is building or planning networks in Dallas, Fort Worth, Austin, San Antonio, Houston and Waco. In order to provide competitive local telephone services in those cities, MAN must interconnect with Southwestern Bell. In order to purchase and use unbundled network components, MAN must physically collocate in Southwestern Bell's central offices. MAN is seeking to physically collocate in the following six Southwestern Bell central offices: Dallas (Taylor), Fort Worth (Crestview), Austin (Tennyson), San Antonio (Capitol and Diamond), and Houston (Clay).

Historically, Southwestern Bell has opposed physical collocation. However, with the passage of the Telecommunications Act which defines physical collocation as the duty of incumbent local exchange carriers and the requirement that BOCs offer physical collocation as a condition of entry into interLATA markets, Southwestern Bell has begun to offer physical collocation. Southwestern Bell presently offers physical collocation on an individual case basis (ICB) where Southwestern Bell provides requesting carriers with a quote for the cost of physical collocation on an office-by-office basis. Interconnection agreements entered into by Southwestern Bell also typically include provisions for physical collocation.

In the Fall, Teleport Communications Group (TCG) asked the Texas Public Utility Commission to arbitrate the physical collocation prices Southwestern Bell offered to TCG in interconnection negotiations. In early November, the arbitrators held as follows:

> *Collocation*. The evidence on the record for collocation costs is sparse. Neither SWBT nor petitioners performed cost studies for these rates, and the Arbitrators find that the rates discussed by SWBT seem extremely high. The Arbitrators find it reasonable to base interim rates on the average rates set in collocation agreements entered into by a sample of other RBOCs. The method for arriving at this average will be based on a simple average of the collocation prices included in agreements TCG has reached with Pacific Telesis, BellSouth, and NYNEX. The interim rates (both recurring and non-recurring) will remain in effect until a TELRIC study is approved by the Commission.[2/]

Southwestern Bell was also ordered to file physical collocation tariffs with the Texas Commission by February 15, 1997.

1/ On February 12, 1997, MAN petitioned the Public Utility Commission of the State of Texas ("Texas Commission") to arbitrate one issue between itself and Southwestern Bell -- physical collocation costs.

2/ *Petition of Teleport Communications Group, Inc. for Arbitration to Establish an Interconnection Agreement*, Docket No. 16196, Arbitration Award, ¶93 (Nov. 7, 1996). ("Arbitration Award")

MAN's interconnection negotiations with Southwestern Bell began at about the same time as the arbitration award. At early negotiation meetings, Southwestern Bell and MAN agreed to try and conform their interconnection agreement with the Texas arbitrators' award. During the negotiations, MAN ordered physical collocation from Southwestern Bell in the Dallas (Taylor) and San Antonio (Capitol) central offices pursuant to Southwestern Bell's ICB pricing. MAN made final payments to Southwestern Bell for this collocation on December 5, 1996 under protest. (*See* letter attached hereto as Exhibit A).

1. In Spite of the Texas Commission's Order, Southwestern Bell's Collocation Prices Remain at an Exorbitantly High Level that Discourages Competition

On December 11, 1996 Southwestern Bell presented MAN with estimated charges for collocation in four central offices (Fort Worth (Crestview), Austin (Tennyson), San Antonio (Diamond), and Houston (Clay)). Because MAN was dissatisfied with the collocation prices presented to it on December 11, 1996, Southwestern Bell indicated that it would make available the collocation prices it offered to TCG pursuant to the Texas Commission's Arbitration Award quoted above. After taking more than 35 days to develop the TCG-based price quote, on February 7, 1997 -- only four days before the end of the 160 day arbitration "window" -- Southwestern Bell presented MAN with a repricing of collocation accommodations in these four offices. Neither the December 11 nor the February 7 prices, which are shown in Table 1 below, were acceptable to MAN.

The charges shown in Table 1 are the total non-recurring and recurring charges for each of the offices where MAN has requested physical collocation. The December 1996 column contains the prices based on Southwestern Bell's ICB pricing. The February 1997 column are the collocation prices proposed by Southwestern Bell based on the Texas Commission's Arbitration Award. MAN understands that the TCG collocation prices would be interim prices subject to true-up if and when the Southwestern Bell physical collocation tariff is approved by the Texas Commission. MAN also understands that the TCG collocation prices generally reflect the tariffed collocation prices that Southwestern Bell intends to file with the Texas Commission.

It is important to note that the collocation services requested by MAN and reflected in the February 1997 quote are somewhat different than the December quote. Basically, MAN requested cables with larger capacity. However, MAN does not believe that the differences in cable size can account for the dramatic increase in costs.

Table 1 -- Physical Collocation Prices Proposed by Southwestern Bell

CENTRAL OFFICE	SQ.FT.	DEC. 1996	FEB. 1997
Fort Worth -- Crestview	100		
Non-Recurring		$220,317	$250,438
Recurring		$1,004/mo	$1,407/mo
San Antonio -- Diamond	100		
Non-Recurring		$169,542	$187,431
Recurring		$633/mo	$1,293/mo
Houston -- Clay	100		
Non-Recurring		$149,115	$186,093
Recurring		$872/mo	$1,375/mo
Austin -- Tennyson	100		
Non-Recurring		$273,331	$234,427
Recurring		$985/mo	$1,490/mo

Simply put, the collocation prices proposed by Southwestern Bell are exorbitant, and MAN does not believe that Southwestern Bell has established (or can establish) that they are cost-based or in conformance with the Texas Commission's Arbitration Award. They also illustrate that the regulatory process available to competitors who are forced to pay Southwestern Bell's physical collocation charges is woefully inadequate to control Southwestern Bell's pricing practices. MAN is forced to either pay the exorbitant charges, or not compete as planned in the Texas local exchange market while it seeks relief before state and federal regulators. Even though the Texas Commission has previously found that Southwestern Bell's physical collocation charges are "extremely high," MAN has asked the Texas Commission to again arbitrate Southwestern Bell's physical collocation prices, but cannot expect a decision until the Summer of 1997.

Southwestern Bell's allegedly cost-based collocation prices are substantially higher than the collocation charges of other local exchange carriers. In Dallas, for example, MAN negotiated an interconnection agreement with GTE that specified collocation charges of $96,496 for space comparable to the collocation space sought in Southwestern Bell central offices. That price is about half the price quoted by Southwestern Bell. MAN believes that Southwestern Bell's collocation prices in Texas are as much as three to six times higher than comparable charges for physical collocation offered by other carriers throughout the United States. MAN also believes that Southwestern Bell's collocation prices in Texas have varied substantially. In 1993, physical collocation charges for Southwestern Bell's central offices in Texas were roughly 1/6th of the level that Southwestern Bell now proposes for collocation.

The collocation prices proposed by Southwestern Bell are not based on an average of the collocation prices offered to TCG by Pacific Telesis, Bell Atlantic and NYNEX as required in the Arbitration Award. The proposed prices are not based on a TELRIC study. MAN understands the prices to be based on Pacific Telesis' tariffed collocation charges because Southwestern Bell asserts that Bell Atlantic and NYNEX's collocation charges are proprietary.[3/] In the Arbitration Award, the Texas Commission observed that Southwestern Bell's collocation charges "seem extremely high." As an interim remedy, the Commission ordered that Southwestern Bell develop rates based on an average of the collocation charges of Pacific Telesis, Bell Atlantic and NYNEX. When Southwestern Bell purports to comply with that requirement, for MAN the result is collocation rates that are even higher than the collocation charges that the arbitrators concluded were "extremely high." The Commission was obviously seeking a collocation methodology that would reduce Southwestern Bell's collocation charges. Southwestern Bell has violated the spirit of that requirement by applying the requirement to substantially increase its collocation charges. For example, comparing the December 1996 prices with the February 1997 prices, MAN's non-recurring charges increased as much as $30,000, and its recurring charges increased as much as 104% (San Antonio), increases that seem to have absolutely no basis in costs.

Southwestern Bell's collocation prices are based on the projected costs quoted to it from contractors whom it employs to make space suitable for physical collocation. Because Southwestern Bell merely passes those costs along to its competitors who choose to physically collocate in Southwestern Bell's central offices, there is no economic incentive for Southwestern Bell to seek out the lowest cost, most efficient contractors to perform its physical collocation work. Indeed, because Southwestern Bell's collocating competitors are paying the construction charges, one could argue that Southwestern Bell has an economic incentive to inflate physical collocation costs and construction quotes.

Southwestern Bell's collocation charges include several additives that inflate the price of collocation without regard to actual costs. Exhibit B shows a portion of the worksheet for the December 1996 collocation price offered to MAN. In particular, in addition to the general construction charges it shows that the common costs ($119,700) included an 11% additive for "General Conditions" ($7,984), a 4% additive for "Contractor's Overhead and Profits" ($3,089), a 8.25% additive for sales taxes ($7,174), a 12% additive for "Consultant's Fees" ($11,200), a 5% additive for "Observation", a 5% "Construction Management Fee" ($4,800), and a 5% additive for "Southwestern Bell Engineering." Thus, the overhead loadings (excluding sales taxes) shown in Exhibit B in Southwestern Bell's collocation price are 42%! Similar additives and overhead loadings are included in the worksheets detailing specific costs. Obviously, these additives substantially increase the price of collocation accommodations. MAN does not believe that these additives are in any way related to the forward-looking economic costs of providing physical collocation. For

3/ MAN does not understand how the collocation charges assessed by an incumbent carrier can be proprietary since incumbent carriers are obligated to provide collocation on a non-discriminatory basis under 47 U.S.C. §251(c)(6) and incumbent carriers must extend any interconnection service to other requesting carriers under 47 U.S.C. §252(i).

example, if the actual construction costs of collocation in one office was $50,000 and another was $30,000 due simply to differences in cabling, applying the percentage factors as Southwestern Bell does would impose higher Management Fees, higher Consultant Fees, etc. irrespective of the underlying actual costs of such activities.

MAN's remedy is to either submit to Southwestern Bell's exorbitant charges or put its marketing plans and network deployment on hold until it receives relief from the Texas Commission or the FCC.

2. Southwestern Bell's Collocation Pricing Policies Unduly Burden the First Collocator, and thus, Retards Facilities-Based Competition.

Southwestern Bell's unilaterally established collocation pricing policies distinguish between common collocation costs and collocation costs that are specific to an individual collocator. Common costs typically include the costs associated with upgrading a central office to accommodate several collocators, such as the costs of building a room large enough to accommodate four collocators or installing a power supply sufficient to provide collocation services to six collocators. MAN understands that Southwestern Bell has unilaterally decided that the first firm that requests physical collocation must pay all of the common costs. If other firms subsequently collocate in an office, then the first collocator would receive a "rebate" of a portion of the common costs it paid to Southwestern Bell. Such a practice obviously discourages entry by facilities-based local exchange carriers who need physical collocation to interconnect with unbundled network components by substantially inflating the cost of physical collocation for the first firm to seek collocation.

For example, Exhibit B shows some of the worksheets for collocation accommodations offered to MAN by Southwestern Bell for collocation in the Fort Worth (Crestview) central office. It shows that the common costs were $119,700 out of total non-recurring costs of $220,317. Thus, about 54% of the charges Southwestern Bell is asking MAN to pay for collocation in Fort Worth are to cover costs to upgrade facilities that would benefit other collocators in addition to MAN.

MAN also believes that Southwestern Bell's policy is inconsistent with common marketing practices of the telecommunications industry. For example, when telephone service is extended to a sub-division, development or to a specific group of customers, the first customer that orders service is not required to bear 100% of the common costs associated with offering the new service. Rather, firms project the demand for their service and recover common costs over the projected demand; they do not collect 100% of the common costs from the first customer that orders service. Southwestern Bell's practice is like asking the first customer who orders Caller ID to pay 100% of the network upgrade costs subject to a refund if anyone else orders Caller ID.

Also, when competition was introduced into long distance markets, most local carriers responded to the need to interconnect carriers by installing access tandems and developing access charges. Southwestern Bell's practice of assessing 100% of the common costs to the new entrant is like charging the first competitive long distance carrier (*i.e.*, MCI) 100% of the costs of equal access and access tandems. Such a practice would hardly be conducive to the development of competition.

Southwestern Bell argues that its practices are justified because physical collocation is not a service for which it receives any profits. Given that the prices for physical collocation quoted to MAN had embedded overheads of 42%, it is hard to take this reasoning seriously.

In discussions with Southwestern Bell, MAN understands that Southwestern Bell has considered this issue at its corporate officer level and has made an explicit policy decision that this is the structure of collocation charges it believes is appropriate. MAN believes that this policy has a chilling effect on competition contrary to the pro-competition policies of Telecommunications Act. MAN's choice is to either submit to Southwestern Bell's exorbitant charges or put its marketing plans and network deployment on hold until it receives relief from the Texas Commission or the FCC.

3. Southwestern Bell's Collocation Prices and Pricing Practices are Inconsistent with the Requirements of the Telecommunications Act

Southwestern Bell has a statutory obligation to provide physical collocation. Section 251(c)(2) of the Telecommunications Act requires incumbent local exchange carriers to provide interconnection with their network "for the facilities and equipment of any requesting telecommunications carrier . . . ."[4/] Section 251(c)(6) of the Telecommunications Act imposes upon incumbent carriers "the duty to provide, on *rates*, terms, and conditions that are *just, reasonable, and nondiscriminatory*, for physical collocation of equipment necessary for interconnection or access to unbundled network elements at the premises of the local exchange carrier, except that the carrier may provide for virtual collocation if the local exchange carrier demonstrates to the State commission that physical collocation is not practical for technical reasons or because of space limitations."[5/]

In its Interconnection Order, in interpreting what constitutes just, reasonable and nondiscriminatory rates, the FCC required that the price of interconnection, access to unbundled network elements and collocation accommodations be based on forward-looking, economic costs.

> Adopting a pricing methodology based on forward-looking, economic costs best replicates, to the extent possible, the conditions of a competitive market. In addition, a forward-looking cost methodology reduces the ability of an incumbent LEC to engage in anti-competitive behavior. Congress recognized in the 1996 Act that access to the incumbent LECs' bottleneck facilities is

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4/ 47 U.S.C. § 251 (c)(2).

5/ 47 U.S.C. § 251 (c)(6) (emphasis added).

> critical to make meaningful competition possible. As a result of the availability to competitors of the incumbent LEC's unbundled elements at their economic cost, consumers will be able to reap the benefits of the incumbent LECs' economies of scale and scope, as well as the benefits of competition. Because a pricing methodology based on forward-looking costs simulates the conditions in a competitive marketplace, it allows the requesting carrier to produce efficiently and to compete effectively, which should drive retail prices to their competitive levels. ...
>
> We note that incumbent LECs have greater access to the cost information necessary to calculate the incremental cost of the unbundled network elements of the network. Given this asymmetric access to cost data, we find that incumbent LECs must prove to the state commission the nature and magnitude of any forward-looking cost that it seeks to recover in the prices of interconnection and unbundled network elements.[6/]

In its arbitration award, the Texas Commission established interim collocation rates to remain in effect until a forward-looking economic cost study is submitted and approved by the Commission.[7/] Thus, the Texas Commission has embraced the FCC's requirement that collocation charges be based on an estimate of forward-looking economic costs. Southwestern Bell ignored both the FCC and the Texas Commission and set exorbitant prices for collocation that are virtually unrelated to costs or the just, reasonable, non-discriminatory standard of the Telecommunications Act. Certainly, requiring the first collocator to pay 100% of the common costs while subsequent collocators are liable for lesser portions cannot be considered "non-discriminatory" irrespective of the unilaterally set, exorbitant level of Southwestern Bell's charges.

MAN's choice is to either submit to Southwestern Bell's exorbitant charges or put its marketing plans and network deployment on hold until it can seek relief from the Texas Commission or the FCC.

4. Southwestern Bell's Collocation Tariffs Are Limited to Three Parties

In its Arbitration Award, the Texas Commission ordered Southwestern Bell to file interim and permanent collocation tariffs. The Commission was obviously concerned that Southwestern Bell's collocation charges were excessive relative to the charges of other incumbent carriers. In spite of the Commission's admonitions and efforts to reduce Southwestern Bell's collocation charges, as described above, Southwestern Bell's interim charges are still excessive.

6/ *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, FCC Docket No. 96-98, at ¶¶ 679-680 (rel. August 8, 1996) ("Interconnection Order").

7/ Arbitration Award at ¶ 93.

On February 18, Southwestern Bell filed its physical collocation tariff with the Texas Commission. (MAN has filed a protest of the tariff.) Two problematic aspects of the tariff are worth mentioning:

- Southwestern Bell limited the tariff to just the petitioners who complained about physical collocation in the arbitration. Effectively, that limits the tariff to AT&T, MCI and TCG. Presumably, others are not allowed to buy from the tariff and would have to negotiate collocation arrangements with Southwestern Bell.

- In its tariff, Southwestern Bell also classifies central offices as "suitable" or "non-suitable" for physical collocation. Collocators in offices that are classified as "suitable" pay charges specified in the tariff. Collocators in offices that are classified as "non-suitable" must negotiate collocation charges. Only the Crestview office is classified as "suitable." As a practical consequence, collocators who wish to collocate in non-suitable offices must negotiate with Southwestern Bell and experience significant delays as Southwestern Bell prepares its various price quotes.

In short, while MAN's arbitration request and consideration of Southwestern Bell's collocation tariffs are underway in Texas, at best, resolution is still several months away. Thus, the regulatory process has not proven terribly effective in addressing the unilateral actions of a carrier that controls essential facilities.

5. Other Potential New Entrants Have Experienced Similar Anti-Competitive Behavior From Other RBOCs

In its December 16, 1996 letter to the Department, the Telecommunications Resellers Association (TRA) expressed concern that ". . . BOCs have sought to hinder competitive entry and operations through a variety of stratagems. For example, the BOCs have sought to use inflated non-recurring charges to undermine the competitive viability of new market entrants."[8/] TRA provided the Department with the following examples of BOCs abuse of power to hinder competition:

- Ameritech-Illinois sought to impose a non-recurring charge of $40,000 for the first 100 square feet of floor space and a separate non-recurring charge of $15,000 for each additional 100 square feet used;

[8/] Letter from Telecommunications Resellers Association to Donald Russell, at 13 (December 16, 1996).

- U S West Communications, Inc. quoted $100,000 for a simple equipment cage and $160,000 for a walled enclosure.[9/]

Of course the egregious examples that TRA cites are $100,000 to $200,000 lower than the collocation quotes MAN received from Southwestern Bell.

In light of the above, it is astonishing that Southwestern Bell purports to be incapable of hindering competition or acting anti-competitively. In its letter to the Department on December 13, 1996, Southwestern Bell portrayed itself as an aggressive negotiator of interconnection agreements.[10/] Southwestern Bell is aggressively preventing the execution of any interconnection agreement by offering "take it or leave it" exorbitant prices which no competitor can afford, making entry into the local market impossible. Southwestern Bell further claims that

> SBC lacks the ability to cross-subsidize or discriminate against its customer-competitors in any local exchange or long distance market. That is because (a) SBC's prices and services are subject to plenary state and federal regulations, (b) SBC has established a track record and a course of dealings between with its customer-competitors that is devoid of cross-subsidization and that establishes a non-discriminatory pricing and service benchmark, and (c) even if it were to attempt to implement any kind of discrimination that could possibly matter in the marketplace, SBC is completely unable to avoid immediate detection and resulting sanctions.[11/]

MAN's experience with Southwestern Bell in Texas is completely contrary to Southwestern Bell's assertions to the Department. Southwestern Bell is clearly in a position to discriminate against its customer-competitors and has done so with regard to negotiating physical collocation prices, among other things. While Southwestern Bell claims that its prices are subject to state and federal regulation, that has not prevented it from forcing exorbitant physical collocation prices on MAN and developing a tariff that is discriminatory on its face (*i.e.*, it only applies to three parties). Southwestern Bell's "track record" demonstrates an ability and willingness to discriminate among competitors.

9/ *Id.* at 14.

10/ Letter from SBC Telecommunications, Inc. to Donald J. Russell, at 2 (December 13, 1996).

11/ *Id.*

In its letter to the Department, Southwestern Bell states that "no responsible argument can be made that SBC will act anti-competitively once it obtains in-region interLATA relief."[12] Southwestern Bell's actions speak for themselves.

Please call me or Larry Kirkwood (972-753-4330, Vice President, MAN) if you have any questions.

Respectfully submitted,

Mark Sievers
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SWIDLER & BERLIN, Chartered
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Washington, D.C. 20007
(202) 424-7500 (Tel.)
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Attorneys for METRO ACCESS NETWORK, INC.

cc: Larry Kirkwood
Janice Irving (TX PUC)
Ericka Kelsaw, Esq. (TX PUC)
Donna Nelson, Esq. (TX PUC)
Kevin Zarling (TX PUC)
Paul D'Ari (Federal Communications Commission)
Dennis Eidson (Southwestern Bell)

12/ *Id.*

Exhibit A

Letter Making Collocation Payments Under Protest

MAN
Metro Access Networks, Inc. 2477 Gateway Drive . Irving, Texas 75063

December 5, 1996

Mr. Al Valani
Southwestern Bell
One Bell Plaza
208 S Ackard, St 0525
Dallas, Texas 75202

Dear Al:

Please find enclosed the remaining payments requested by SWB from MAN for the completion of physical collocate spaces in Dallas Taylor and San Antonio Capitol CO. Because of impending customer due dates requiring MAN to take immediate occupancy of this space, MAN cannot wait until more favorable rates are negotiated within the scope of our ongoing interconnection meetings.

Please accept this letter as notification that MAN is making the enclosed payments under protest and that we believe the Telcom Act does not require a CLEC to bear a financial burden of this magnitude for physical interconnection. Our position is that these payments are inconsistent with interconnection requirements established by the Public Utility Commission of Texas in Dockets 16189, 16196, 16226, 16285, 16290. MAN understands that SWB has been directed to file tariffs for physical interconnections such as those covered by the enclosed payments.

In summary, should MAN and SWB agree to more favorable interconnection rates for MAN or should SWB be required to tariff its physical interconnection rates, MAN expects full reimbursement for any amount paid above such rates.

Sincerely,

Michael P Gallagher
President

cc: Mark Sievers, Esq.
Harvey Perry, Esq.
Larry Kirkwood
Paul Eason

Exhibit B

Excerpts from Collocation Worksheets

EXHIBIT D

CONSTRUCTION COST SUMMARY FOR PHYSICAL COLLOCATION

CUSTOMER: METRO ACCESS NETWORKS
LOCATION: Ft Worth-Arlington - Crestview
CASE NO: DL1029610
ACNA: MAI
CLLI: FTWOTXCRHA1

CONSTRUCTION COSTS TO PROVIDE: FOR PHYSICAL COLLOCATION IN:	100 SQ. FT. CAGE CRESTVIEW CENTRAL OFFICE	
COMMON WORK	$	119,700.00
SPECIFIC WORK	$	15,200.00
COST OF EQUIPMENT	$	84,517.00
COST OF PULLING CABLE	$	900.00
TOTAL UPFRONT PAYMENT	$	220,317.00
MONTHLY COST FOR EQUIPMENT	$	368.97
MONTHLY COST FOR CONDUIT (Conduit cost/foot= $0.15 X 1800 ft. in cable run)	$	270.00
COLLOCATOR SPACE MONTHLY RENTAL COST (Cost/Asgn.Sq. Ft. = $3.66 X 100 sq. ft. cage)	$	366.00
TOTAL MONTHLY COST	$	1,004.97

INTERVAL EQUALS FOURTEEN (14) WEEKS.

NEW CONSTRUCTION DETAILED ESTIMATE - PHYSICAL COLLOCATION (COMMON COSTS)

COLLOCATOR:	Metro Access Networks	ACNA:	MAI	SF REQ.	100 SF
DATE:	11/13/98	BUILDING NAME:	Fort Worth Creekview Central Office	FLOOR:	2nd
		BLDG LOC. CODE:	T30086	CLLI:	F WOTXCRHAT
NSS COORD.:	Mattie Richardson	CWO/LC:	2800182	STREET:	312 W Abrams
NSS PROJECT I.D. #:	OL1029810	PHONE:	214-464-3812	CITY:	Arlington
		ORDER #:	N045900	STATE:	TX
				ZIP:	76010-7133

Description of COMMON COSTS:	Quantity	Units	$/Unit	10C	10X	610M	357C	377C	85C	Total	P.O.
General:											
Cust Partition	20	lf	$ 20.00			$ 400				$ 400	
Remove Ceiling		sf	$ 2.00		$ -					$ -	
Remove Walls	20	lf	$ 20.00		$ 400					$ 400	
Remove		ea	$ -		$ -					$ -	
Asbestos abatement of floor tile		sf	$ -		$ -					$ -	
New floor tile	400	sf	$ 2.50	$ 1,000						$ 1,000	
Lead paint abatement (NIC)		sf	$ -			$ -				$ -	
Patching, repairing, & repainting	1200	sf	$ 1.20			$ 1,440				$ 1,440	
Wire partition wall w/ doors	900	sf	$ 13.50	$ 12,150						$ 12,150	
Sheetrock partition wall	-	lf	$ 55.00	$ -						$ -	
Painting of new partitions		sf	$ 1.00	$ -						$ -	
Hollow Metal Doors	2	ea	$ 800.00	$ 1,600						$ 1,600	
Re-build SWBT storage area (displaced by MAI)	400	sf	$ 25.00	$ 10,000						$ 10,000	
			$ -							$ -	
Mechanical:										$ -	
Demolition (Mech)		lot	$ -		$ -					$ -	
A/C ductwork changes, louvers, & t-stat	1	lot	$ 4,200.00	$ 4,200						$ 4,200	
Cantel, Andover circuiting and programming		lot	$ 6,000.00	$ -						$ -	
			$ -	$ -						$ -	
			$ -							$ -	
Electrical:										$ -	
Remove Lights		ea	$ 50.00		$ -					$ -	
Remove Panels		ea	$ 500.00		$ -					$ -	
1'x4' flourescent light fixtures w/switch	10	ea	$ 150.00	$ 1,500						$ 1,500	
110v duplex electrical outlets		ea	$ 100.00	$ -						$ -	
Exit lights	1	ea	$ 300.00	$ 300						$ 300	
Emergency lighting	2	ea	$ 300.00	$ 600						$ 600	
Electrical panel and breakers	1	ea	$ 4,000.00	$ 4,000						$ 4,000	
Cage grounding #6 stranded/insulated & 2 lug term.	1	ea	$ 2,000.00	$ 2,000						$ 2,000	
Fire Detection rezoning and AHU firestat		ea	$ 400.00	$ -						$ -	
			$ -							$ -	
Security:										$ -	
Cardreaders	3	ea	$ 1,200.00	$ 3,600						$ 3,600	
Maglocks	1	ea	$ 400.00	$ 400						$ 400	
Emergency exit w/crashbar & alarm	1	ea	$ 1,000.00	$ 1,000						$ 1,000	
Stair door Simplex lock	4	ea	$ 300.00	$ 1,200						$ 1,200	
1 Key set, core and I.D.'s		ea	$ 300.00	$ -						$ -	
Andover controls to doors		ea	$ 13,000.00	$ -						$ -	
Security card programming	1		$ 1,000.00	$ 1,000						$ 1,000	
Fiber Optic Cable Conduit Path:										$ -	
4" conduit (between cable vault and cage)	580	lf	$ 45.00						$ 26,100	$ 26,100	
F&I 4' x 4' pull box	1	ea	$ 1,000.00						$ 1,000	$ 1,000	
Core 4" holes		ea	$ 300.00						$ -	$ -	
Fire-rated enclosure for pathway		lf	$ 200.00	$ -						$ -	
Telephone Power Cable Path:										$ -	
Open holes in floor & walls	2	ea	$ 500.00					$ 1,000		$ 1,000	
Provide ceiling inserts		ea	$ 50.00	$ -						$ -	
Fire-rated enclosure for pathway		lf	$ 200.00	$ -					$ -	$ -	
Transmission Cable Path:										$ -	
Open holes in floor & walls	2	ea	$ 500.00				$ 1,000			$ 1,000	
Provide ceiling inserts		ea	$ 50.00	$ -						$ -	
Fire-rated enclosure for pathway		lf	$ 200.00	$ -						$ -	
Construction Subtotal:				$ 44,550	$ 400	$ 1,840	$ 1,000	$ 1,000	$ 27,100	$ 75,890	
General conditions			0.11	$ 4,687	$ 42	$ 194	$ 105	$ 105	$ 2,851	$ 7,984	
Contractor's overhead and profit			0.04	$ 1,813	$ 16	$ 75	$ 41	$ 41	$ 1,103	$ 3,089	
Taxes			0.0825	$ 4,212	$ 38	$ 174	$ 95	$ 95	$ 2,562	$ 7,174	
CONSTRUCTION TOTALS				$ 55,300	$ 500	$ 2,300	$ 1,200	$ 1,200	$ 33,600	$ 94,100	$ -
CONSULTANT FEES			0.12	$ 6,600	$ 100	$ 300	$ 100	$ 100	$ 4,000	$ 11,200	
OBSERVATION			0.05	$ 2,800	$ -	$ 100	$ 100	$ 100	$ 1,700	$ 4,800	
TOTAL DIRECT COSTS				$ 64,700	$ 600	$ 2,700	$ 1,400	$ 1,400	$ 38,300	$ 110,100	
CONST. MGMT FEE			0.05	$ 2,800	$ -	$ 100	$ 100	$ 100	$ 1,700	$ 4,800	
SWBT ENGINEERING			0.05	$ 2,800	$ -	$ 100	$ 100	$ 100	$ 1,700	$ 4,800	
TOTAL LOADED COST				$ 70,300	$ 600	$ 2,900	$ 1,600	$ 1,600	$ 42,700	$ 119,700	

New Const. Detailed Estimate

NEW CONSTRUCTION DETAILED ESTIMATE - PHYSICAL COLLOCATION (SPECIFIC COSTS)

COLLOCATOR: Metro Access Networks
DATE: 11/13/98
NSS COORD.: Mattie Richardson
NSS PROJECT I.D. #: DL1029810

ACNA: MAI
BUILDING NAME: Fort Worth Creekview Central Office
BLDG LOC. CODE: T30066
CWO/LC: 2600182
PHONE: 214-464-3812
ORDER #: N043500

SF REQ. 100 SF
CLLI: FTWOTXCRHA1
STREET: 312 W Abrams
CITY: Arlington
STATE: TX

FLOOR: 2nd
ZIP: 75010-7723

Description of SPECIFIC COSTS:	Quantity	Units	$/Unit	10C	10X	610M	357C	377C	85C	Total	P.D.
General:											
Dust Partition		lf	$ 20.00			$ -				$ -	
Remove Ceiling		sf	$ 2.00		$ -					$ -	
Remove Walls		sf	$ 20.00		$ -					$ -	
Remove		ea	$ 20.00		$ -					$ -	
Asbestos abatement of floor tile		sf	$ -		$ -					$ -	
New floor tile		sf	$ -	$ -						$ -	
Lead paint abatement (NIC)		sf	$ -			$ -				$ -	
Patching, repairing, & repainting		sf	$ 1.20			$ -				$ -	
F&I Wire partition wall w/ doors	300	sf	$ 13.50	$ 4,050						$ 4,050	
F&I Sheetrock partition wall		lf	$ 55.00	$ -						$ -	
Painting of new partitions		sf	$ 1.00	$ -						$ -	
F&I Hollow Metal Doors		ea	$ 800.00	$ -						$ -	
Clean & repair cage door		ea	$ 300.00			$ -				$ -	
										$ -	
Mechanical:										$ -	
Demolition (Mech)		lot	$ -		$ -					$ -	
A/C ductwork changes, louvers, & t-stat		lot	$ 2,100.00	$ -						$ -	
Damtel, Andover circuiting and programming		lot	$ 6,000.00	$ -						$ -	
		lot	$ -	$ -						$ -	
										$ -	
Electrical:										$ -	
Remove Lights		ea	$ 50.00		$ -					$ -	
Remove Panels		ea	$ 500.00		$ -					$ -	
1'x4' flourescent light fixtures w/switch	2	ea	$ 150.00	$ 300						$ 300	
110v duplex electrical outlets	2	ea	$ 100.00	$ 200						$ 200	
Exit lights		ea	$ 300.00	$ -						$ -	
Emergency lighting		ea	$ 300.00	$ -						$ -	
Electrical panel and breakers		ea	$ 4,000.00	$ -						$ -	
Cage grounding #6 stranded/insulated & 2 lug term.	1	ea	$ 2,000.00	$ 2,000						$ 2,000	
Fire Detection rezoning and AHU firestat		ea	$ 400.00	$ -						$ -	
			$ -							$ -	
Security:										$ -	
Cardreaders		ea	$ 1,200.00	$ -						$ -	
Maglocks		ea	$ 400.00	$ -						$ -	
Emergency exit w/crashbar & alarm		ea	$ 1,000.00	$ -						$ -	
Stair door Simplex lock		ea	$ 300.00	$ -						$ -	
1 Key set, core and I.D.'s	1	ea	$ 300.00	$ 300						$ 300	
Andover controls to doors		ea	$ 15,000.00	$ -						$ -	
Security card programming	1	lot	$ 1,000.00	$ 1,000						$ 1,000	
										$ -	
Fiber Opac Cable Conduit Path:										$ -	
2" conduit (between pull box and collocator's cage)	40	lf	$ 45.00						$ 1,800	$ 1,800	
F&I 4" x 4" pull box		ea	$ 1,000.00						$ -	$ -	
Core 4" holes		ea	$ 300.00						$ -	$ -	
Fire-rated enclosure for pathway		lf	$ 200.00	$ -						$ -	
										$ -	
Telephone Power Cable Path:										$ -	
Open holes in floor & walls		ea	$ 500.00					$ -		$ -	
Provide ceiling inserts		ea	$ 50.00	$ -						$ -	
Fire-rated enclosure for pathway		lf	$ 200.00	$ -					$ -	$ -	
										$ -	
Transmission Cable Path:										$ -	
Open holes in floor & walls		ea	$ 500.00				$ -			$ -	
Provide ceiling inserts		ea	$ 50.00	$ -						$ -	
Fire-rated enclosure for pathway		lf	$ 200.00	$ -						$ -	
										$ -	
										$ -	
										$ -	
										$ -	
										$ -	
Construction Subtotal:				$ 7,850	$ -	$ -	$ -	$ -	$ 1,800	$ 9,650	
General conditions			0.11	$ 826	$ -	$ -	$ -	$ -	$ 189	$ 1,015	
Contractor's overhead and profit			0.04	$ 319	$ -	$ -	$ -	$ -	$ 73	$ 393	
Taxes			0.0825	$ 742	$ -	$ -	$ -	$ -	$ 170	$ 912	
CONSTRUCTION TOTALS				$ 9,700	$ -	$ -	$ -	$ -	$ 2,200	$ 11,900	$ -
CONSULTANT FEES			0.12	$ 1,200	$ -	$ -	$ -	$ -	$ 300	$ 1,500	
OBSERVATION			0.05	$ 500	$ -	$ -	$ -	$ -	$ 100	$ 600	
TOTAL DIRECT COSTS				$ 11,400	$ -	$ -	$ -	$ -	$ 2,600	$ 14,000	
CONST. MGMT FEE			0.05	$ 500	$ -	$ -	$ -	$ -	$ 100	$ 600	
SWBT ENGINEERING			0.05	$ 500	$ -	$ -	$ -	$ -	$ 100	$ 600	
TOTAL LOADED COST				$ 12,400	$ -	$ -	$ -	$ -	$ 2,800	$ 15,200	

New Const. Detailed Estimate

NEW CONSTRUCTION DETAILED ESTIMATE - PHYSICAL COLLOCATION *(TOTAL COSTS: SPECIFIC & COMMON)*

COLLOCATOR: Metro Access Networks
DATE: 11/13/98
NSS COORD.: Mattie Richardson
NSS PROJECT I.D. #: DL1029810

ACNA: MAI
BUILDING NAME: Fort Worth Crestview Central Office
BLDG LOC. CODE: T30085
CWO/LC: 2600182
PHONE: [illegible]
ORDER #: [illegible]

SF REQ.: 100 SF
FLOOR: 2nd
CLLI: FTWOTXCRHAT
STREET: 312 W Abrams
CITY: Arlington
STATE: TX
ZIP: [illegible]

SUMMARY: SPECIFIC & COMMON COSTS				10C	10X	610M		377C	85C	Total	P.O.
CONSTRUCTION TOTALS				$ 65,000	$ 500	$ 2,300	$ 1,200	$ 1,200	$ 35,800	$ 106,000	$ -
CONSULTANT FEES			0.12	$ 7,800	$ 100	$ 300	$ 100	$ 100	$ 4,300	$ 12,700	
OBSERVATION			0.05	$ 3,300	$ -	$ 100	$ 100	$ 100	$ 1,800	$ 5,400	
TOTAL DIRECT COSTS				$ 76,100	$ 600	$ 2,700	$ 1,400	$ 1,400	$ 41,900	$ 124,100	
CONST. MGMT FEE			0.05	$ 3,300	$ -	$ 100	$ 100	$ 100	$ 1,800	$ 5,400	
SWBT ENGINEERING			0.05	$ 3,300	$ -	$ 100	$ 100	$ 100	$ 1,800	$ 5,400	
TOTAL LOADED COST				$ 82,700	$ 600	$ 2,900	$ 1,600	$ 1,600	$ 45,500	$ 134,300	

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&
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CHARTERED

MARK SIEVERS
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March 5, 1997

VIA COURIER

Mr. Donald J. Russell
Chief, Telecommunications Task Force
Antitrust Division
U.S. Department of Justice
Room 8104 Judiciary Center Building
555 Fourth Street, N.W.
Washington, D.C. 20001

Re: Competitive Impact of Bell Operating Companies' Entry Into In region InterLATA Markets

Dear Mr. Russell:

Metro Access Networks, Inc. (MAN), by its undersigned counsel, hereby submits this letter in response to the Department's November 21, 1996 request for comments from interested parties on the competitive impact of entry by Bell Operating Companies (BOCs) into the long distance market. While the date that the Department requested comments has long since past, MAN believes that its recent attempts to negotiate a complete interconnection agreement are relevant to the Department's advisory role in analyzing BOC petitions for interLATA authority, and the Department's ongoing interest in "real world" evidence of the BOCs' ability to leverage their control over essential facilities and the ability of regulators to control such anticompetitive abuses. Specifically, MAN brings to the attention of the Department its experience with Southwestern Bell Telephone Company

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(Southwestern Bell) with respect to the price of physical collocation accommodations, an obvious essential facility controlled by Southwestern Bell.[1/]

MAN is a competitive local exchange carrier that operates in Texas. It is building or planning networks in Dallas, Fort Worth, Austin, San Antonio, Houston and Waco. In order to provide competitive local telephone services in those cities, MAN must interconnect with Southwestern Bell. In order to purchase and use unbundled network components, MAN must physically collocate in Southwestern Bell's central offices. MAN is seeking to physically collocate in the following six Southwestern Bell central offices: Dallas (Taylor), Fort Worth (Crestview), Austin (Tennyson), San Antonio (Capitol and Diamond), and Houston (Clay).

Historically, Southwestern Bell has opposed physical collocation. However, with the passage of the Telecommunications Act which defines physical collocation as the duty of incumbent local exchange carriers and the requirement that BOCs offer physical collocation as a condition of entry into interLATA markets, Southwestern Bell has begun to offer physical collocation. Southwestern Bell presently offers physical collocation on an individual case basis (ICB) where Southwestern Bell provides requesting carriers with a quote for the cost of physical collocation on an office-by-office basis. Interconnection agreements entered into by Southwestern Bell also typically include provisions for physical collocation.

In the Fall, Teleport Communications Group (TCG) asked the Texas Public Utility Commission to arbitrate the physical collocation prices Southwestern Bell offered to TCG in interconnection negotiations. In early November, the arbitrators held as follows:

> *Collocation*. The evidence on the record for collocation costs is sparse. Neither SWBT nor petitioners performed cost studies for these rates, and the Arbitrators find that the rates discussed by SWBT seem extremely high. The Arbitrators find it reasonable to base interim rates on the average rates set in collocation agreements entered into by a sample of other RBOCs. The method for arriving at this average will be based on a simple average of the collocation prices included in agreements TCG has reached with Pacific Telesis, BellSouth, and NYNEX. The interim rates (both recurring and non-recurring) will remain in effect until a TELRIC study is approved by the Commission.[2/]

Southwestern Bell was also ordered to file physical collocation tariffs with the Texas Commission by February 15, 1997.

1/ On February 12, 1997, MAN petitioned the Public Utility Commission of the State of Texas ("Texas Commission") to arbitrate one issue between itself and Southwestern Bell -- physical collocation costs.

2/ *Petition of Teleport Communications Group, Inc. for Arbitration to Establish an Interconnection Agreement*, Docket No. 16196, Arbitration Award, ¶93 (Nov. 7, 1996). ("Arbitration Award")

MAN's interconnection negotiations with Southwestern Bell began at about the same time as the arbitration award. At early negotiation meetings, Southwestern Bell and MAN agreed to try and conform their interconnection agreement with the Texas arbitrators' award. During the negotiations, MAN ordered physical collocation from Southwestern Bell in the Dallas (Taylor) and San Antonio (Capitol) central offices pursuant to Southwestern Bell's ICB pricing. MAN made final payments to Southwestern Bell for this collocation on December 5, 1996 under protest. (*See* letter attached hereto as Exhibit A).

1. In Spite of the Texas Commission's Order, Southwestern Bell's Collocation Prices Remain at an Exorbitantly High Level that Discourages Competition

On December 11, 1996 Southwestern Bell presented MAN with estimated charges for collocation in four central offices (Fort Worth (Crestview), Austin (Tennyson), San Antonio (Diamond), and Houston (Clay)). Because MAN was dissatisfied with the collocation prices presented to it on December 11, 1996, Southwestern Bell indicated that it would make available the collocation prices it offered to TCG pursuant to the Texas Commission's Arbitration Award quoted above. After taking more than 35 days to develop the TCG-based price quote, on February 7, 1997 -- only four days before the end of the 160 day arbitration "window" -- Southwestern Bell presented MAN with a repricing of collocation accommodations in these four offices. Neither the December 11 nor the February 7 prices, which are shown in Table 1 below, were acceptable to MAN.

The charges shown in Table 1 are the total non-recurring and recurring charges for each of the offices where MAN has requested physical collocation. The December 1996 column contains the prices based on Southwestern Bell's ICB pricing. The February 1997 column are the collocation prices proposed by Southwestern Bell based on the Texas Commission's Arbitration Award. MAN understands that the TCG collocation prices would be interim prices subject to true-up if and when the Southwestern Bell physical collocation tariff is approved by the Texas Commission. MAN also understands that the TCG collocation prices generally reflect the tariffed collocation prices that Southwestern Bell intends to file with the Texas Commission.

It is important to note that the collocation services requested by MAN and reflected in the February 1997 quote are somewhat different than the December quote. Basically, MAN requested cables with larger capacity. However, MAN does not believe that the differences in cable size can account for the dramatic increase in costs.